

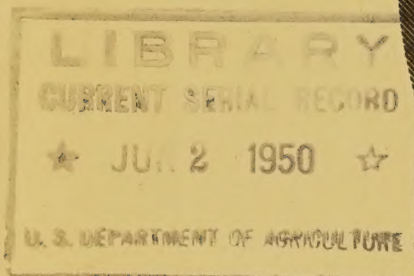
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CO-OP ELECTRIFICATION ADVISER TRAINING OUTLINE

103

**THE RURAL
ELECTRIC CO-OP
... what it is**



REA

PURPOSES OF THIS OUTLINE

This is one of a series of outlines prepared by REA as an aid in planning and arranging training schools for co-op electrification advisers. Each outline deals with a power use subject or with some aspect of cooperative theory and practice or with a particular method or technique of getting information to people. These are the three principal fields in which electrification advisers need to be skilled. In addition to subject matter, each booklet contains suggestions as to how the material might be presented, with a rough indication of a suitable time schedule. The booklet is thus use-

ful as a guide to committees in charge of training schools, as a procedure guide to instructors, and as a subject matter manual that may be distributed to participants at the close of a training session for study and future reference. Subjects available or in preparation are listed below by title and number. *It is suggested that committees planning such training schools keep in mind the need of training in all three types of subject matter and, insofar as practicable, make use of the outlines in a balanced combination.*

LIST OF SUBJECTS

An ORIENTATION OUTLINE (unnumbered) covers all three fields of information. It is to provide the subject matter for an initial school that will give co-op officials basic background information and an understanding of the nature and scope of the educational job to be done.

NO.	POWER USE SUBJECT	NO.	CO-OP SUBJECT	NO.	METHOD OR TECHNIQUE
1	Farm and home Wiring	100	Value of Co-op	200	Getting News to Members
2	Farm Motors		Membership		(Newsletters and State
3	Water Systems and	101	Integrating Power		Paper Columns)
	Plumbing		Use and Co-op	201	Using the Radio
4	Electric Ranges		Education	202	Co-op Reports and Non-
5	Laundry Equipment	102	The REA Program		periodical Publications
6	Poultry Production		and Co-ops	203	Making Effective Talks
7	Refrigerators, Home	103	The Electric Co-op	204	Demonstration Techniques
	Freezers, Walk-Ins		— What It Is	205	Methods and Results of
8	Small Appliances	104	The Co-op Movement		Adult Education
9	Dairying		-- Here and Abroad		
10	Pig Brooding	105	Co-op Bylaws	206	Effective Meetings
11	Farm, Home and	106	Establishing Member		
	School Lighting		Ownership	207	Photography and Motion
12	Farm Shop	107	Assuring Member		Pictures
13	Pump Irrigation		Participation	208	Working with Newspapers
14	Garden Watering	108	Co-op Tax Status	209	Exhibits and displays
15	Electric Hotbeds	109	Annual Meetings	210	Working with Rural Youth
16	Elevating, cleaning	110	Co-op's Place in	211	Working with Community
	and grading farm crops		the Community		Organizations
17	Drying grain, hay, peanuts, etc.	111	Cooperation Between Co-ops		
18	Heating, cooling, ventilating				
19	Cleaners, dish washers				
20	Kitchen planning				

Suggested Program and Procedure

THE RURAL ELECTRIC CO-OP -- WHAT IT IS

It is essential that co-op electrification advisers have a good understanding of what an electric co-op really is and the features that distinguish it from a noncooperative power supplier. It is important background for the adviser's work with members. It is also information that he will have many occasions to pass along to members and to community groups.

The following outline shows how this subject might be presented in a one-day program at a co-op electrification adviser training school. The seven topics would be developed largely through group discussion. The outline indicates several devices that might be used to stimulate discussion.

The discussion leader for the day should be generally familiar with the REA program and co-ops. He should have had experience in stimulating group discussion. A cooperative specialist of a college or university faculty, or in the Extension Service, would probably make a good leader, if he has been close to the REA program. A veteran in the State-wide organization is another possibility. If you cannot locate a suitable specialist in your area, REA may be able to furnish some one to serve as leader. If the leader can have the help of an old-timer in the co-op movement, perhaps serving as chairman of the day, so much the better. Although the subject matter will be developed largely by the group, it is desirable for the leader to have a prepared subject matter outline as a guide. A subject matter outline covering the topics in considerable detail follows this program outline. At the close of the meeting, it may be desirable to distribute the subject matter outline to the participants for reference and further study. Extra copies can be provided for this purpose.

THE RURAL ELECTRIC CO-OP -- WHAT IT IS

Morning Session

Introduction and Explanation of Day's Procedure.....Chairman
Approx. 15 min.

1. What Some People Say a Co-op Is (Talk and discussion).....Leader

To stimulate discussion on this point, it is suggested that the most common misinformation about co-ops be presented in an interesting way -- through slides of newspaper and magazine ads or a recording of adverse comments, for example. This is ordinarily a sure-fire way of starting a brisk discussion

Approx. 1 hour

2. Definition of a Co-op (Group discussion)

"All right, if that's wrong, let's see just what a co-op is," says the leader, and asks for definitions. After a definition satisfactory to all is agreed on, the discussion moves to the seven co-op principles, why they were adopted, and their application to the operation of an electric co-op. If an old-timer in the co-op movement is available, he can be a big help here.

Approx. 1 hour

Intermission - 15 min.

3. Difference Between a Co-op and Power Company

(Blackboard discussion)

It is time to get out the blackboard, if it hasn't been used already. The leader rules off two columns on the board and invites the group to point out differences. The order makes no particular difference, just so they are brought out and discussed. If the discussion starts slowly, the subject matter outline lists differences the leader can introduce. The audience isn't likely to need much prodding on this point, however.

Approx. 1 hour

Noon Recess

Afternoon Session

Resuming after lunch, it will be a good idea to sum up the morning session briefly. A repeat on the co-op misinformation that opened the morning session should head off after-lunch drowsiness.

4. What Members Know About Their Co-op (Talk and discussion)

a. Discussion of Opinion Surveys.....Visiting Speaker

The Texas State-wide has made a scientific survey of what co-op members and the public know and think about the REA program. Other surveys have been made by various co-op organizations. It is desirable to have a speaker familiar with one of these surveys present to report. If not, the chairman can present these facts.

Approx. 1/2 hour

b. Experience Reports by Participants.

The previous discussion should lead logically into comments by participants on the extent of member and community understanding of their own co-ops. Directors and managers present should be encouraged to pitch into this one.

Approx. 1/2 hour

5. Advantages of Well-Informed Membership (Panel discussion)

Possible panel members: director, manager, electrification adviser, outside co-op representative -- all of them old-timers in co-op programs, if possible. Each night talk 5 to 10 minutes on some aspect of the topic -- easier management, accomplishment of area coverage, better community standing, etc. This should set the stage for group discussion, bringing out new advantages or amplifying those already presented. If differences of opinion develop, so much the better.

Approx. 1 hour

Intermission - 15 min.

6. What Co-ops Can Do to Get Facts to Members and Community
(Work session)

An effective device for handling this topic is to divide the group into smaller units of 3 to 5 members, depending on attendance. Meeting simultaneously in different sections of the room or in different rooms, the small groups consider methods of informing members and community. Each group prepares a report. After about a half-hour, the full group reassembles to hear reports read and discuss them. Be sure a secretary is present to collect group reports and get down as much as possible of the discussion on them. In that way, a summary can be mailed to all participants later.

Approx. 1 1/4 hours,
or as time permits

7. Summary and ConclusionChairman

A good way to wind up the day is to distribute the subject matter outline prepared in advance and discuss briefly how it may be used.

Approx. 15 min.

Suggested Subject Matter

THE RURAL ELECTRIC CO-OP -- WHAT IT IS

Topic 1. What Some People Say a Co-op Is.

The importance of having correct information can best be illustrated by inviting the participants to relate example of misinformation about co-ops and rural electrification that they have heard or read. (See program suggestions.) To start off this discussion, the leader may wish to raise some of the following questions:

- a. Is it true that "A co-op is just a way of putting the Government in business?"
- b. Is it true that "Co-ops are a foreign idea, brought to this country by radicals?"
- c. Is it true that "Co-ops operate at the expense of the taxpayers on a Government subsidy?"
- d. Is it true that "Co-ops don't pay a cent of taxes?"
- e. Is it true that "Co-ops violate the American tradition of business-managed free enterprise?"
- f. Is it true that "The electric co-ops electrified a few hundred farms that the power companies were planning to serve, anyway, but now have nothing left to do?"
- g. Is it true that "Farmers are going to 'lose their shirts' as a result of co-op membership?"
- h. Is it true that "The electric co-op office is the local office of REA headquarters" and that "The co-op employees are Federal bureaucrats who get their orders straight from Washington?"

Topic 2. Definition of a Co-op.

a. What it is.

1. A co-op is a voluntary association of people in need of a particular service for the purpose of providing that service for themselves on a nonprofit basis.

2. An REA-financed co-op, like most other co-ops, is incorporated as a private enterprise under the laws of the State in which it operates. No member of an incorporated co-op is personally liable for any debts or obligations of the co-op nor for the repayment of the Government loan.
3. Co-ops here and abroad generally adhere to a number of basic principles which experience over the past hundred years has proved to be important to co-op success.

b. Co-op Principles.

1. Open Membership.

- (a) Anyone who can use a co-op's services is eligible to belong. This is particularly important for an REA co-op, which is the sole supplier of an essential service in its area.
- (b) The purpose of the Rural Electrification Act is to make electric service available to all persons living in rural areas. This means that REA borrowers are pledged to full area coverage.
- (c) In general, the more patron-members a co-op has, the less will be its unit cost of operation. And REA co-ops, by covering the entire rural area, can usually serve even the few more isolated farms at little, if any, over-all increase in unit cost of operation. To do so pays dividends to the co-op in public good will and in greater community prosperity.

2. Democratic Control.

- (a) In order to give all members an equal share in the control of the co-op, each member has one vote and no member has more than one vote.
- (b) People, not money, control an REA co-op. This is the same as in our democratic form of Government where each citizen, rich or poor, has one vote.
- (c) Co-ops should avoid proxy voting as being undemocratic. If the state law does not permit complete elimination of proxy voting, it is well to restrict it as much as possible.

3. No Speculative Profits to Investors.

- (a) Because the purpose of a co-op is service to its members, not profit for investors, co-op state laws generally limit the rate of return on capital investments.
- (b) In an REA co-op, no interest or dividend is paid on capital supplied by the patrons.
- (c) On loan capital borrowed from REA, interest is paid at the low rate of 2 percent.
- (d) Since the co-op does not have to earn profits for investors, co-op service rates need to be only high enough to provide for
 - (1) The cash costs of doing business, and
 - (2) The repayment of the REA loan according to schedule.

4. Nonprofit Operation.

- (a) Any operating margin which the co-op makes is the result of overpayments (payments in excess of the actual cost of service) made by the patrons. These overpayments belong to the patrons in proportion to their patronage. They are not a profit to the co-op.
- (b) If a co-op is debt-free and has no need of more capital, it can return these overpayments to its patrons each year as cash patronage refunds.
- (c) But an REA co-op starts out with a lot of borrowed capital that has to be paid back to the U. S. Treasury according to schedule. To the extent the co-op does not need its depreciation funds currently for replacements, they can be used toward meeting repayments on the principal of the REA loan. But the members' overpayments are also needed for that purpose. Therefore they cannot be returned to the members at once.
- (d) By leaving their overpayments in the co-op, the consumers make it possible for the co-op to pay off its REA loan. At the same time, the consumers are building up individual equities in the net worth of the co-op merely by paying for electric service at the usual rates.

- (e) The bylaws determine how the patrons are to be credited for these excess payments. Under the capital credits plan, all excess payments are credited to the patrons individually as capital furnished by them. A co-op which has not adopted capital credits is usually required by its bylaws to set aside certain reserves out of the net margin and to assign the remainder as patronage refunds to the patrons individually in proportion to their patronage.
- (f) When the co-op becomes financially strong enough to do so (a point usually defined in the bylaws), it can begin retiring capital credits or patronage refunds in cash. Retirement takes place in the same order in which the overpayments were received -- earliest in, earliest out. Thus, the new capital furnished by the members in future years is used for retiring the equities of the members who furnished capital in the earlier years. This revolving capital method of financing is particularly suited to co-ops.

5. Neutrality in Matters of Politics, Race and Religion.

- (a) To bring dependable power at the lowest practical cost to all rural people it can reach is the co-op's major objective. Anything that interferes with this objective will hurt the co-op and its members.
- (b) If a co-op becomes involved in controversial or partisan issues that have nothing to do with the purpose for which the co-op was set up, it will cause dissension in the ranks of the members that may split the co-op wide open and may even wreck it.

6. Business on a Cash Basis.

- (a) Carrying customers on credit adds to the cost of any business.
- (b) For a co-op to extend credit to some members would be unfair to the other members who would have to bear the added costs of such credit business.
- (c) Many of the early co-ops here and abroad failed because they extended so much credit to their members that the co-ops could not pay their own bills when due.

- (d) Sound co-op business management requires operation on a cash basis. That, of course, does not prevent a co-op from making Section 5 loans to members for wiring or plumbing or electric equipment, provided the co-op insists on loan repayments according to schedule.

7. Education.

- (a) Members who don't understand what a co-op is and what their rights and responsibilities are as joint owners are likely to hurt the co-op either by being indifferent or by using their voting power unwisely.
- (b) Members who are poorly informed about the service their co-op offers are not likely to make good use of it.
- (c) Experience of co-ops of all types has shown that, next to inefficient management, an uninformed and therefore indifferent membership has been the chief cause of co-op failure.
- (d) A well-informed membership helps to make the co-op management job easier and more effective.
- (e) Member education in cooperation and in good power use is therefore an essential function of REA co-op management.
- (f) Since co-ops depend on the good will of the communities in which they operate, it is also important to carry on community education about the co-op to offset the misinformation put out by groups opposed to co-ops.

Topic 3. Differences Between an Electric Co-op and a Power Company.

There are a number of important differences between an REA-financed co-op and a typical commercial power company operating rural lines. The purpose of bringing those differences to the attention of co-op members should not be to discredit the power companies but to help the members understand the value of co-op ownership better. These differences can be grouped under four major headings: organization, service, control, and cost of service.

Electric Co-op

Commercial Power Company

a. ORGANIZATION

1. Purpose

Dependable service for its present and future members on a nonprofit basis.

Profits for its stockholders from the sale of power to rural consumers.

2. Ownership

Privately-owned by farm families and other rural people whom it serves.

Privately-owned by stockholders who in general do not use its service because they live outside the area.

3. Type of Organization

A membership corporation complying with cooperative principles.

A commercial stock corporation organized for profit.

4. Source of Capital

REA loan, gradually replaced by personal equities of consumers built up out of patronage.

Investments by stockholders, and often by bondholders, plus undivided profits retained by the company.

5. Personal Liability

No member is liable for co-op's debts.

No stockholder is liable for company's debts.

b. SERVICE

1. Patronage

Primarily by member-owners.

Primarily by people who have no share in ownership and control.

2. Principles Governing Service

(a) Area-wide service to all rural people in need of it.

(a) Service generally restricted to more profitable sections in the area.

Electric Co-op

Commercial Power Company

2. Principles Governing Service (Cont'd)

- (b) Service at cost.
- (c) Helping members to use power more efficiently.

- (b) Service at a profit.
- (c) Load building activities to increase company profits.

c. CONTROL

1. Who Holds Control

Local people whom it serves. One member, one vote.

Stockholders, usually absentee, with voting power concentrated in a few who hold large blocks of stock and many proxies.

2. Direction of Management

By directors elected by and from the user-member, and responsible to them.

By directors generally not users, who represent the investors and not the users.

3. Policy Making

Policies set in consumers' interest by people living in, and known to, local community.

Policies set in investors' interest, usually by persons in financial centers far from service area.

d. COST OF SERVICE

1. Attitude on Costs

Strong incentive to keep construction and operating costs down because owners, as users, must pay costs.

Little incentive to hold costs down, either in construction or operation, because users, not owners, ultimately must pay costs through rates based on investment (see below.)

2. Rate Levels

As low as co-op's cash requirements, including operating expenditures and scheduled loan repayments, will permit.

Based on claim to "fair profits after taxes," over and above cost of doing business, regardless of how high that cost may be.

Electric Co-op

Commercial Power Company

3. Disposal of Operating Margin

- (a) Belongs to co-op patrons and therefore is not income or profit to the co-op.
- (b) Is prorated among all patrons in proportion to their patronage and credited individually as patronage refunds or capital credits which will eventually be paid back to the patrons.
- (c) Pays a wide variety of taxes, but no Federal income tax since it has no income.

- (a) Is income or profit to the company; the patrons have no share in it.
- (b) Part goes into undivided company surplus, part is divided among stockholders as returns on their investment.
- (c) Pays a Federal income tax, in addition to other taxes, if it makes a profit.

4. Net Cost to Consumer

Only actual cost of service, since overpayments are credited and eventually returned to him.

Full amount of service charges, since overpayments are not credited nor returned to him.

5. Paying for System

Co-op consumers pay for system only once, until they own it free of debt.

Company customers keep on paying for system over and over, but never own any of it.

Topic 4. What Members Knew about Their Co-op.

a. Opinion Surveys.

1. Cornell University Survey.

Several years ago, Cornell University made an extensive survey in the territory of several large farm co-ops to find out what members knew about these co-ops. Here are some of the findings:

- (a) (1) Asked how membership was obtained,
 - 21% answered correctly
 - 36% had misinformation
 - 43% had no knowledge at all.
- (2) Only 24% knew how the general manager was selected.
- (3) Only 3% knew how the directors of the central organization were elected.

- (b) On a list of 10 "true or false" statements about the co-op and co-op principles, 60% of the members interviewed felt so ignorant that they didn't even try to answer the questions. Some of these were co-op officers or committee men.
- (c) Interviews with farm women whose husbands were co-op members showed:
 - (1) They scored only 27% on a list of seven simple factual statements about co-ops.
 - (2) On a list of 10 questions about general co-op policies, only 20% had a perfect score. 25% did not answer a single question correctly.

2. Texas Power Reserve Survey.

In January 1949, a public relations firm made a state-wide opinion survey for the Texas Power Reserve Electric Cooperative. Five questions were asked of a cross section of Texas people, urban and rural, men and women. The first question was merely to find out whether the person interviewed was served by a power company, a municipal system, or an REA co-op. Here is what the co-op members thought about some of the other questions:

- (a) 23% were not convinced that public or co-op ownership of power lines was preferable to power company ownership.
- (b) 31% thought their co-op was owned by the Government, and 35% said they didn't know.
- (c) 12% thought that co-ops should pay more taxes, and 36% had no opinion.

In other words, two-thirds of the co-op members did not know that co-ops are owned by the local people they serve. Nearly one-fourth of the co-op members saw no advantage in getting service from a co-op. And nearly half of the co-op members were not convinced that co-ops pay their fair share of taxes.

b. Why Members are often Uninformed.

- 1. In some parts of the country, farmers have had little or no prior experience with real co-ops.
- 2. Most people join an electric co-op not because they understand and believe in co-ops, but because that is the only way they can get electric service.

3. In the past, co-op management has been so busy with construction, getting service to people, and keeping the lines hot that very little has been done to inform and educate even the old members.
4. With new and generally uniformed members being added at a tremendously high rate (half a million a year, nation-wide), the small core of original members who worked so hard to bring the co-op into being makes up an ever smaller percentage of the total membership.
5. Most members are inclined to ignore their membership responsibilities unless these are called to their attention frequently.

c. Questions for Co-op Representatives.

1. What percent of your members
 - (a) look on the co-op as just another power company?
 - (b) really know what a co-op is?
 - (c) understand what co-op management is trying to do for them?
 - (d) vote in person at annual meetings?
 - (e) have up-to-date copies of the co-op bylaws?
2. To what extent are the following groups in your co-op area well enough informed to recognize untruths about your co-op and about co-ops in general?
 - (a) Your members
 - (b) Their wives
 - (c) Their teen-age children
 - (d) Rural teachers
 - (e) Rural ministers
 - (f) Local public officials
 - (g) Town merchants
 - (h) Newspaper editors
 - (i) Other civic leaders.

Topic 5. Advantages of Well-informed Membership.

a. Advantages to the Co-op as an Organization.

1. The members are the co-op. A well-informed membership means an interested membership. An interested and loyal membership is the only safe foundation for a co-op that wants to stay in business as a co-op.

2. The owners of any business have a stake in the success of that business. The more they know about it, the less they are likely to make unwise decisions that may hurt or even wreck the business. And the greater the number of owners, the better it will be for the business to have them well-informed.
 3. The co-op's objective of area coverage can be carried out more effectively if the members understand what the REA program is, how it has benefited their co-op, and what the co-op's obligations to the rural community are because of the Federal aid it has received.
 4. Community acceptance and support of the co-op will be in direct proportion to what the co-op members know, think and do about their co-op. If the members show by their actions and attitude that they take pride in their co-op membership and in the way the co-op benefits the community, the townspeople will be less likely to fall for anti-co-op propaganda.
- b. Advantages to Co-op Management.
1. Informed members will gladly cooperate with management on all matters helpful to the co-op.
 2. Active member interest helps to keep operating and maintenance costs down.
 3. Members who understand that co-op's purpose is to help them will ask for and act on power use advice given by co-op personnel. If advice is sound, this makes for more efficient power use and helps build financial stability of co-op.
 4. Directors and employees have to spend less of their time answering individual inquiries and complaints if the members (and applicants) are kept regularly informed about co-op problems, plans, and procedures.
 5. Conscientious directors and managers can count on member support if the members are given the facts. Unfounded rumors, suspicion and unfair criticism of co-op officials will thrive only among uninformed members.

6. A stable board without too rapid turnover is essential to sound co-op management. Retention of competent directors is assured much more by a large turnout of well-informed members at the annual meeting than by failure to inform the members and by discouraging annual meeting attendance. The only cases of entire boards being replaced at one annual meeting are of co-ops whose boards had for years made it a practice to ignore the members' right to information and to the exercise of democratic control as the real owner of the co-op.

c. Questions for Co-op Representatives.

Can you give examples (see items below) where your co-op was helped by the fact that members were informed, or hurt by the fact that members were not properly informed?

1. Prompt reports of service interruption.
2. Preventive maintenance (line patrolling, etc.).
3. Few mistakes in self-meter reading or billing.
4. Few delinquencies.
5. Help to line crews.
6. Asking and following co-op advice on special equipment installations.
7. Cooperative in adjusting load peaks, as through off-peak farm uses.
8. Good volunteer work on committees.
9. Efficient power use.
10. Good annual meeting attendance.
11. Members not taken in by false rumors.
12. Manager and directors bothered less by individual inquiries since members and applicants are kept currently informed.
13. Community attitude improved.
14. Relations with schools and churches.
15. Better dealer relations.

Topic 6. What Co-op can do to get Facts to Members and Community.

In discussing this topic following small group meetings (see program outline), it should be pointed out that telling something only once and in one way will have little permanent effect on most people. Repetition is important. Telling the same facts in different ways and through different media is important. We learn by hearing, reading, seeing, doing. We retain ideas better and understand facts more clearly if we think and talk about them, with neighbors and friends, in groups, at meetings.

Only a small portion of the information we receive sticks in our minds. And it has to make quite an impression before we bother to do any real thinking about it. To get from the thinking into the action stage requires an even greater effort on the part of most of us. And to make an action a matter of habit means practice and repetition.

Thus, to make good cooperators out of people whose initial interest in a co-op is merely to get service means a continuous and well-planned educational program. And for such a program to be effective, it must be understood and supported all the way down the line, beginning with the board and the manager, taking in the co-op staff, getting the help of rural educators and farm leaders, and working through committees and interested individuals in the co-op area.

In guiding the discussion on this topic, the chairman will find the task easier and will probably obtain better results if he has previously acquainted himself with the REA publication entitled "Telling the Co-op Story." The following partial check list of occasions materials and methods for a co-op education program is quoted from that handbook:

- Personal contacts.

- Demonstrations and talks.

- Meetings:

- Annual.

- District.

- Neighborhood.

- Of other organizations and groups.

- Of committees.

- Tours.

- Printed material:

- Local news letters.

- State association papers.

- Power use literature.

- Special co-op publications.

- Visual material:

- Charts and graphs.

- Photographs.

- Movies, film strips, slides.

- Exhibits and displays.

- Press and radio.

- Work with young people.

- Civic projects and activities.

Topic 7. Making Further Use of This Outline.

- a. It is hoped that electrification advisers will find this subject matter outline valuable as a reference for occasional review to aid them in the preparation of talks, articles, and visual material.
- b. Parts of the outline can also be used effectively for group discussions at board and staff meetings and at co-op community and neighborhood meetings.
- c. Suggest that advisers, in using any part of the outline at a group discussion, try to get the subject matter discussed by raising questions rather than by giving the factual data to the participants in advance. Only to the extent the group fails to bring out adequate discussion and answers should the leader help out with leading questions and suggestions. In this way, the participants themselves will do the thinking and thus will get much more out of the discussion than if they merely had the facts handed to them.

